



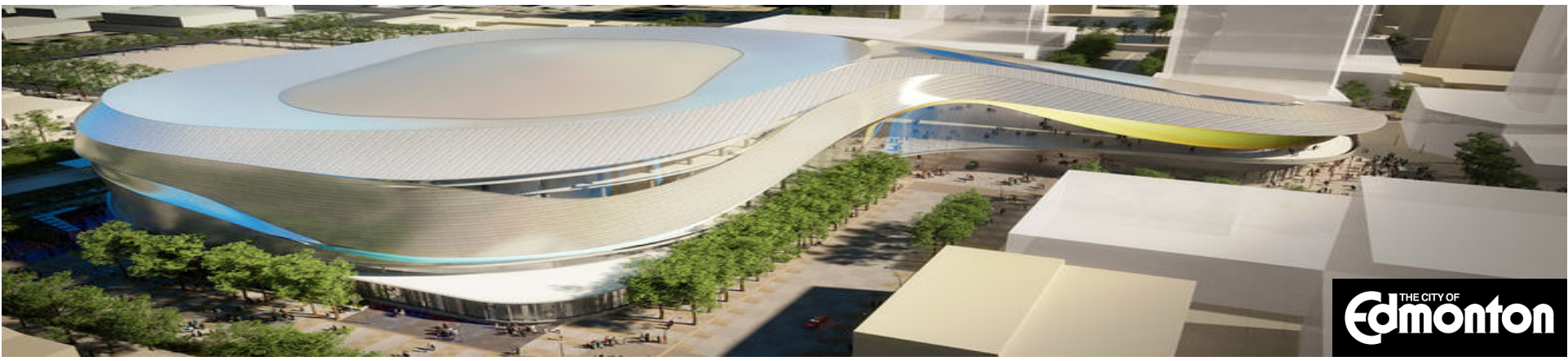
THE WAY AHEAD

Downtown Arena Update

October 17, 2012

TRANSFORMING | **EDMONTON**

BRINGING OUR CITY VISION TO LIFE



Agenda

- Framework Update
- City Commitment
- Issues arising from Negotiations
- CRL Allocation Explained
- Current Status

Council Approved Framework (October 2011)

Council approved a framework October 2011 & reaffirmed support in September 2012:

- **\$125M** City contribution
 - \$45M CRL
 - \$80M Parking, redirection of existing Rexall subsidy & arena parking property taxes
- **\$125M** User Pay (Ticket Tax) directly to support capital investment
- **100M** Katz Group
 - City Finances Construction
 - Katz Group pays lease payments to cover principal and interest
- **\$100M** from Province

Framework (cont)

- Process for land assembly
- LRT Connection
- 35-year location agreement
- Collaborative design process
- Community Benefits Framework
- Katz Group commitment of \$100M contribution to adjacent development subject to commercial viability
- No use of personal seat licenses
- 10-year marketing partnership between City and Katz Group (\$2 Million/year)

City Financial Commitment

- \$204M contribution to final project
 - \$125M - Arena
 - \$25M - Winter Garden
 - \$25M - Arena land
 - \$15M - Pedestrian corridor
 - \$7M - LRT connection
 - \$7M - Community Rink (subject to matching support from other orders of Government)

City Cooperation to Advance Project

- Financial Support to Katz Group
 - Katz Group's contribution of \$125M (Arena and Winter Garden) to be paid through lease payments – City will finance the construction costs
 - City-owned adjacent development land - Katz Group option to purchase for development
 - \$30M for arena design funded by City to advance project (\$15M to date)

City Cooperation to Advance Project

- Supported Katz Group leading design to maximize revenue opportunities and operational efficiencies
 - Increased seats to 18,791 from 16,681 at Rexall
 - Increase of 2,110 premium seats
 - 55% more space for premium restaurant, concession and retail space than average of last 3 NHL arenas
 - Added underground parking (with implications to Capital Budget) to enhance premium seating package and with associated revenues accruing to the Katz Group

Items arising from Negotiations

- **Arena Capital Cost**
 - Framework budget of \$450M (maximum)
 - Expected cost \$475M
 - Administration recommends share of additional costs on a 50/50 basis (to a maximum \$12.5M)

- **Winter Garden Capital Cost**
 - Framework budget of \$50M (maximum)
 - Expected cost \$70M

Community Revitalization Levy

- An approved CRL will allow the City to apply municipal and education property taxes generated within a defined area to pay for catalyst projects such as the drainage improvements that are necessary for development to occur or the Jasper Avenue improvements that will serve to spur development in that area.

Community Revitalization Levy

- The year in which the Province approves the CRL Bylaw establishes the base year.
- The incremental property tax (Education and Municipal) collected from the CRL Plan Area from assessment increases over the base year is used to repay the project, up to a maximum of 20 years.

Community Revitalization Levy

Projected Tax Revenue Over 20 Years (July 2012)			
	(Millions)		
Scenarios	Municipal	Education	Total
No Growth	\$642	\$165	\$807
Reasonable Growth	\$454	\$130	\$584
Accelerated Growth	\$142	\$45	\$187
Total of All Three	\$1,238	\$340	\$1,578

CRL Revenue and Project Cost

Projected Average Annual CRL Tax Revenue & Catalyst Project Cost (000s)					
	Year 1-5	Year 6 - 10	Year 11-15	Year 16-20	Totals
Education Property Tax	\$5,134	\$6,900	\$7,023	\$7,036	\$130,464
Municipal Property Tax	\$13,157	\$22,874	\$26,161	\$28,703	\$454,476
Total	\$18,291	\$29,773	\$33,184	\$35,739	\$584,940
Catalyst Project Cost	\$23,465	\$31,001	\$31,244	\$31,244	\$584,769
Difference					\$171

Other Arena Deals - Winnipeg

- Gaming support from the province for \$5.5 Million
- Edmonton arena proposed seats 18,791 – MTS Centre in Winnipeg 15,015 – revenue generation difference at least \$17 million
- Winnipeg arena cost - \$133.5 million with 70% private funding
- Edmonton arena cost \$450 to 470 million with 22% private funding 28% user pay and 50% public funding

Other Arena Deals - Pittsburgh

- Hockey ticket revenues are estimated to be at least \$20 million higher in Edmonton than Pittsburgh
- Pittsburgh ticket surcharges of 3% on NHL and 5% on other tickets goes to the team.
- 5% Amusement tax levied by the City of Pittsburgh is retained by the City for city purposes.
- In Edmonton all revenue goes to the team
- In Edmonton approximately 6% ticket tax to pay for \$125 million of arena capital cost

Other Arena Deals

- There are 30 teams in the NHL – it will always be possible to find one or two elements in any agreement that are distinct from the rest – but for Edmonton the focus needs to be on the entire package.
- Each deal is a combination of private, state/provincial and municipal contributions – all different

Katz Group Developments

- Katz Group has stated there are 15 outstanding items
 - Administration believes 11 of those items can be resolved
 - Major capital maintenance is one that Administration would recommend come back to the City contingent on control of the ticket tax to fund it and the initial \$125 million capital construction
- The critical outstanding items are:
 - Annual Operating Subsidy
 - Anchor tenant in proposed Katz Group office tower
 - Additional financing responsibility